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DEPARTMENT OF STATE
 EXECUTIVE SECRETARIAT
 Senior Interdepartmental Group

25X1A

May 26, 1966

AGENDA

Ninth Meeting - May 31, 1966, 4:00 p.m.
 (Carried over from May 24, 1966)

*Notified
Secretary
CIA*

Attached

- A) (4:00 p.m.) Export-Import Bank loan for Fiat-Russian plant—(Paper will be circulated later). The question before SIG is that of providing foreign policy guidance to the Bank on its taking under active consideration a loan of up to \$50 million to the IMI (Instituto Mobiliare Italiano) for the purchase in the United States of machine tools for use in the automobile plant which Fiat will build in the Soviet Union. (SIG will be joined by representatives of Treasury, Commerce, and Export-Import Bank.)
- B) (Approximately 4:30 p.m.) Antigua Deep Water Project—See attached Memorandum. (SIG will be joined by a representative of NASA and the Export-Import Bank.)
- C) (Approximately 4:45 p.m.) Military Aid Program for Tunisia—Appropriate documents distributed last week.

Harry H. Schwartz
Staff Director, SIG

State Dept. declassification & release instructions on file

Enclosure

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Subject: Antigua Deep Water Harbor Project

Discussion:

At its meeting on May 11, 1966 the Interdepartmental Regional Group for Inter-American Affairs (IRG/ARA) considered a proposal that AID provide a loan on concessional terms to the Government of Antigua to help finance the construction of a deep water harbor. Total project cost is about \$5 million. The Antiguans are insisting on 100% financing. The Eximbank is willing to finance the dollar costs of the project (about \$2.5 million) provided the Bank is able to find that Antigua has the ability to service the debt. The Bank also believes that funding of the remaining part of the project should be arranged for along with its loan to make the project economically viable. The proposal for AID financing has been disapproved by Assistant Secretary Gordon and the AID Administrator. Representatives from the Eximbank and NASA attended the meeting. The background facts are as follows:

(a) In the negotiations for the Defense Areas Agreement with the former Federation of the West Indies, the United States negotiators joined in a recommendation that the United States Government sympathetically consider financing the harbor, if other financing could not be found. The Antiguans insist that this recommendation, plus conversations during the negotiations, constitute a commitment on the part of the United States to provide 100% financing for the deep water harbor. The DOD representative to IRG/ARA considers that the Antiguans could reasonably have come to the conclusion that if all other efforts failed, the United States would assume the financing of the harbor.

(b) NASA has signed a contract for the construction of a tracking station in Antigua. The Antiguans made it clear in the negotiation that the construction of a deep water harbor was linked to their approval of the NASA station. We and the British succeeded in convincing the Antiguans that

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they should not make financing of the project a formal condition for the NASA station. However, the U.S. also made it very clear that the NASA station agreement was one between the United States and Antigua, not between the United States and the U.K. Moreover, the U.S. negotiators also told the Antiguans that they would attempt to obtain a U.S. decision on the application for a loan. ARA in State believes, therefore, that the unstated condition for Antigua's approval of the NASA agreement was help from the United States on financing a deep water harbor and that when NASA acted to carry out the NASA station agreement it, in effect, committed the United States again to help Antigua finance a deep water harbor. NASA does not agree with this interpretation.

AID does not regard the Antigua deep water harbor project as appropriate for financing because:

- (a) The project, having a low economic development priority, does not meet normal criteria for AID loans.
- (b) Approval of the loan would involve the addition of a new country to those for which AID provides financing (although Antigua had in previous years been a recipient).
- (c) It would provide financing to a country which, to the present, is a European dependency.

The Eximbank does not regard the project appropriate for 100% financing by the Bank because:

- (a) On the basis of information now available to the Bank, the project does not appear to be economically feasible on the Bank's usual terms.
- (b) Approximately 50% of the cost of the project is local cost financing.

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Other sources of possible financing that have not been explored are the appropriations of Defense and NASA. The agreements with the U.K. for those facilities stipulate that the acreage needed will be provided without charge unless condemnation proceedings are necessary. In any event, neither agency is able to pay rent above the normal market price. The DOD facilities are entirely on crown land and local authorities have indicated that the site selected for the NASA installation is completely or almost completely on crown land. At the present time NASA does not pay a rental for any of its tracking stations abroad which are situated on government-owned land (except in one instance where a small amount of private land was acquired by the Government), and NASA has indicated that it would strongly oppose creating a precedent to the contrary.

There was general agreement among IRG members that the operation of our facilities in Antigua in a harmonious atmosphere is dependent on 100% financing by the United States of the Antigua deep water harbor. There was also unanimous agreement that the negotiation of the Defense Areas Agreement and the NASA station agreement could have led to a reasonable expectation on the part of the Antiguans that the United States would help Antigua finance the harbor. State and AID disagreed on the view that this involved 100% financing. There also appeared to be a consensus that the United States runs the risk of being asked to withdraw from Antigua if it does not help on the financing, but this risk does not appear to be serious. However, harassing tactics by the Antiguan Government are a likely possibility.

Action Requested

That the SIG consider and decide 1) whether the harbor should be financed and 2) what agency of the U.S. Government should undertake the financing.